



Department of the Treasury
Internal Revenue Service

Date: December 6, 2001

Person to Contact:

Contact Telephone Number:

Contact Address:

Dear Officers of :

We have completed our examination of your Forms 990 for the periods ended
It has been determined that your exempt status
should be revoked.

The enclosed report of examination states the basis for the revocation. You have concurred with our determination and have signed an agreement to that effect on the attached Form 6018. Accordingly, your exemption from Federal Income tax under section 501(c)(7) of the Internal Revenue Code has been revoked effective

You are now required to file Form 1120, " U.S. Corporate Income Tax Return." We have secured the delinquent Forms 1120 for the periods ended

When preparing your income tax returns in the future, keep in mind Internal Revenue Code Section 277 as it pertains to membership organizations.

You should retain this report with your permanent records for future reference.

Thank you for your cooperation.

Sincerely yours,

R. C. Johnson
Director, EO Examinations

Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period

FACTS:

_____ was incorporated on _____ and received exemption as an IRC 501(c)(7) on _____. The city owns the property the course is on and the clubhouse. The club operates the course. The articles of incorporation state the assets of the organization will go to an organization organized for charitable, educational, religious or scientific purposes.

The course has nine holes, the clubhouse has snacks and beverages, there is sale of liquor and they sell golf clothing and other golf items. The course is open to the public. There are 4 other golf courses in the county. These are all open to the public. The club has fees that are comparable to the other golf courses.

Anyone can be a member as long as they pay the annual dues. The members have the right to vote for officers and on club issues. The membership fee allows them to have unlimited golf games. The golf course operates in the same manner as commercial clubs. The dues and green fees are comparable to other golf courses in the area and are not nominal.

In _____, the organization had gross receipts of \$_____ of that \$_____ was from non-members. In _____ the gross receipts were \$_____ and the amount from non-members was \$_____.

LAW & ARGUMENT:

Internal Revenue Code (IRC) section 501(c)(7) provides for the exemption of Tax for clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Social clubs can receive up to 15 percent of their gross receipts from the use of the club's facilities from non-members.

CONCLUSION:

In conclusion, the organization does not qualify for exemption under Internal Revenue Code Section 501(c)(7) because it receives more than 15% of its gross income from non-members for the use of the facilities.

The club is required to file forms 1120 as a corporation for years beginning